

# Speech by FS at Hong Kong Trustees Association 2019 Conference: Managing Change in an Uncertain Landscape (English only)

Jacqueline (Chairman of Hong Kong Trustees' Association, Ms Jacqueline Shek),  
Ka Shi (Vice-Chairman of Hong Kong Trustees' Association, Ms Lau Ka-shi),  
distinguished guests, ladies and gentlemen,

Good afternoon.

I'm pleased to join you today for the third Hong Kong Trustees Association Conference.

This is a welcome, and timely, opportunity to address you, one of Hong Kong's most important financial services bodies today.

Today's Conference theme is "Managing Change in an Uncertain Landscape." Change and uncertainty, ironically, are two of life's very few certainties. In speaking of finance, globally or locally, they are constants with us all the time. Indeed, today's theme is part of our everyday life – yours and mine both.

Business, of course, has a clear dislike for uncertainty. Uncertainty can disrupt company plans, delay investment and put off hiring. It has, as well, serious consequences for the economy.

Uncertainty inspired the global business of insurance to help us mitigate and manage risk.

Uncertainty surrounding the protracted US-China trade war has hit global growth, and the lack of confidence it creates may well be driving the slowdown more than the tariffs themselves. As the economists at the Fed have said, "It's not necessarily the trade war, or the tariff itself that causes the slowdown, but the uncertainty around it."

Uncertainty has been a prime variable in UK politics, and business, since the EU referendum more than three years ago.

In the next week or so, UK business and society may find themselves either a good deal less uncertain about the future, or another few months of quandary. Trick or treat: we'll know soon enough.

According to a Stanford Institute for Economic Policy Research paper, the higher the executives viewed Brexit a source of uncertainty, the less their business has grown since the referendum. Anticipation of Brexit is estimated to have reduced investment by about 11 per cent in the three years following the June 2016 vote.

Hong Kong knows uncertainty as well as anyone these days. We've been steeped in it for more than four months now. The continuing social unrest has shaken the retail trade, restaurants, tourism and other industries, exacerbating an already-weak economy. Equally lamentable, it is hurting Hong Kong's international image.

Hong Kong is a small and open economy, fully plugged into the global village. Our challenge is to respond to heightened uncertainty by embracing certainty wherever we can find it. While we may not be able to control the changing environment, we can, proactively, boost our competitiveness. We can take the initiative to cope with all the change around us.

To counter the challenging economic environment, I recently announced packages of measures. They support companies, especially small and medium enterprises, helping to safeguard jobs and lessen the financial burden on companies, and the people of Hong Kong generally.

We will waive 27 groups of government fees and charges for 12 months. That will help the maritime, logistics, retail, catering, tourism, construction, agriculture and other sectors.

We will also enhance the Dedicated Fund on Branding, Upgrading and Domestic Sales and the SME Export Market Fund. These measures will better support companies looking to explore business opportunities, promote sales and participate in business missions organised by the Government and related organisations.

There's more, much more. In fact, excluding public works expenditure, the support package we've put together adds up to more than HK\$19 billion.

And as you might already know, later today, I will be announcing a new round of support measures, targeting sectors that have been suffering a heavy blow.

Preceding these packages of measures are of course the significant relief measures, totaling nearly HK\$43 billion, as announced in the 2019-20 Budget.

Together, they should stimulate our economy, help cushion business and the Hong Kong community, against today's disconcerting uncertainties. And we will continue to work on more to further enhance our support.

Allow me to turn now to a project I know many of you have a professional interest in. I'm talking about the eMPF Centralized Platform.

Standardising, streamlining and automating MPF administration will improve the operational efficiency of our MPF system. It will enable fee reductions, allowing the system to be more adaptable to change for the introduction of such new functions as full portability.

We will also attach importance to online transaction processing and database management, to ensure that the system can handle the expected growth in transactions.

Much more than an IT project, eMPF is about managing change. In that regard, it will involve all MPF system stakeholders.

Please rest assured that we will work closely with the Mandatory Provident Fund Schemes Authority, and trustees. We will review the existing statutory requirements with a view to identifying room for lowering the compliance burden on trustees.

In response to my 2017 Budget, the Financial Services and the Treasury Bureau set up an MPF trustee Working Group to steer the development of the eMPF project. I am pleased to say that the Working Group has made a number of significant achievements in a short period of time.

They include the drawing up of technical specifications and a set of common standards for the industry as a whole.

By year end, we'll turn to the request for proposal exercise. We will introduce legislative amendments into the Legislative Council to enable the Authority to set up a wholly owned subsidiary for building and operating the system.

Our target is to develop the platform by 2022, followed by phased implementation.

In realising this complex, community-wide undertaking, I ask for your continuing support.

Turning to the world at large, let me emphasise that Hong Kong is committed to maintaining our status, and hard-won reputation, as a leading international financial centre.

In March of last year, a new licensing regime for trust and company service providers came into force, with your support. It's part of the Hong Kong Government's efforts to strengthen our anti-money laundering and terrorist financing regime.

The Mutual Evaluation Report of Hong Kong was examined at the Financial Action Task Force Plenary in June. Hong Kong's system, I'm pleased to say, has been recognized as compliant and effective, making Hong Kong the first jurisdiction in the Asia-Pacific to achieve overall compliance. The brilliant result affirms the concerted efforts we've made to safeguard our standing and reputation as an international financial centre.

Separately, we are also modernising the regulatory regime of our insurance industry to align it with international practice.

Just last month the Insurance Authority began direct regulation over some 100 000 insurance intermediaries. That, ladies and gentlemen, is a milestone in the industry's continuing progress.

The Insurance Authority has modernised requirements in areas such as academic qualifications, continuing professional development, codes of conduct and minimum capital and net-asset requirements for broker companies.

The Authority is also responsible for setting standards for the conduct of insurance intermediaries, conducting investigations and taking direct enforcement action.

I'm hopeful it will help promote fair and transparent regulation, enabling market development, upgrading the professionalism of insurance intermediaries and ensuring a strong yet flexible response to our changing business landscape.

Everything, of course, ultimately depends on the people, the talent, behind the businesses. That's why, in 2016, the Government launched a pilot programme to enhance talent training for the asset- and wealth-management business.

The trust industry is a pillar of our international asset-management sector. And I encourage the Trustees' Association, and each and every one of you here today, to make good use of this programme.

Our future – the future of your industry and your companies – depends on our youth. We must help them see, and appreciate, the career promise that financial services, particularly the trust and insurance industries, can offer them.

Speaking of talent, I am pleased to hear that the Association has launched a Certified Trust Practitioners qualification accreditation programme. It can surely enhance the profile and professionalism of the trust and fiduciary services industry, while developing the talent Hong Kong needs to renounce, connect and excel long down the road.

Technology is no less central to our future. That certainly includes financial technology. Fintech looks set to reshape the financial sector, presenting us with both opportunities, and challenges, in abundance.

Earlier this year, the Hong Kong Monetary Authority granted eight virtual bank licences. The HKMA is now working closely with the licensees, and the launch of their virtual services is imminent. The world of banking will never be the same.

Speaking of which, the banking industry is implementing the Open Application Programming Interface framework in phases. Phase 1 Open API framework, which focuses on product information, began in January.

At the end of July, more than 500 registrations had been received from third-party service providers. They cover deposit information, loans, insurance, investment and other banking products and services. Soon enough, they will enable collaboration between banks and technology companies, resulting in innovative and integrated financial services to their customers.

The banks plan to launch Phase II Open APIs, targeting customer acquisition, by the end of this month.

The Faster Payment System, introduced last year, is also expanding. The

Government is committed to its use for bill and counter payments. From the beginning of November , bills issued by Inland Revenue, the Rating and Valuation and the Water Supplies departments will come with Faster Payment System QR codes. The public can pay these bills through e-banking and e-wallet apps that the System supports.

Beginning next year, the counters and self-help kiosks of a number of Government departments will also start accepting payment via the Faster Payment System.

"The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty." For that, my thanks to Winston Churchill. And you can put me squarely in Churchill's optimist camp.

But more than seeing the opportunity, we must also embrace it, overcoming the uncertainties that often envelop it.

Ladies and gentlemen, Hong Kong's character, its enviable international success, has been built on our remarkable resilience and adaptability. We have weathered countless uncertainties, and worse. The Asian financial crisis, the outbreak of SARS and the financial tsunami come immediately to mind.

Thanks to our boundless business resilience, and to the pragmatism and flexibility of our society, we have always found the means to turn adversity to our advantage. And I am confident that our indomitable spirit – the spirit of Hong Kong – will see us through today's uncertainties.

I wish you all a rewarding conference and the best of business in the future.

Thank you.